

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 SS-15 NSC-10 RSR-01

OMB-01 TRSE-00 /078 W

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P R 231750Z AUG 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 3584

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY PANAMA

C O N F I D E N T I A L SECTION 1 OF 2 SAN SALVADOR 3227

E.O. 11652 N/A

TAGS: ETRN; XK; ES

SUBJ: CVAIR: U.S. PERMIT HELD BY AEROLINEAS EL SALVADOR (AESA)

REF: A. STATE 160038; B. SAN SALVADOR 3086; C.TAYLOR/COTTER

TELCON AUGUST 20, 1973.

1. SUMMARY. WE HAVE ASCERTAINED THAT INFORMATION PREVIOUSLY REPORTED IN REFTEL B IS INCORRECT. AEROLINEAS EL SALVADOR (AESA) IS IN BUSINESS AND WITH A RECENTLY LEASED DC-6 AND IS COMPLETELY SEPARATED FROM THE SALVADORAN AIR FORCE (FAS). ABOUT HALF OF ITS US DEBTS HAVE BEEN SETTLED UNDER DIRECTION OF A CENTRAL RESERVE BANK (BCR) AUDIT TEAM AND AESA'S MANAGEMENT SAYS THE BALANCE WILL BE PAID WITHIN SEVERAL MONTHS. AESA MANAGER, CORNEJO, SAYS THAT ALTHOUGH AESA'S DC-6 LAST CARRIED CARGO TO MIAMI SEPT 24, 1972, THE AIRLINE HAS MAINTAINED CONTINUING SERVICE OVER PAST YEAR EITHER BY CHARTERING TACA PLANES OR CONTRACTING SPACE FROM TACA, ALL UNDER AESA IDENTIFICATION. THE GOES AESA COMMISSION'S SECRETARY AND CORNEJO SAID THEY VISUALIZE A RECONSTITUTED AIRLINE WHICH WOULD BE SHORTLY RELEASED FROM GOES INTERVENTION, WOULD SEEK PERMITS FROM CENTRAL AMERICAN GOVTS AND WOULD REDUCE
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THE PRESENT 45 PERCENT LANICA SHARE INTEREST. THE EMBASSY

RECOMMENDS, ON THE BASIS OF INFORMATION DEVELOPED AND KNOWN THAT THE CAB NOT RPT NOT CANCEL AESA'S PERMIT. END SUMMARY.

2. IN LIGHT OF NEW INFORMATION WHICH CORRECTS EMBASSY'S PREVIOUS RESPONSE (REF B), AN EMBOFF MET WITH CIVIL AERONAUTICS (DAC) DIRECTOR COL. ORANTES DHEMING AUGUST 21 AND ASKED CONCERNING THE STATUS OF AESA. DHEMING SAID HE UNDERSTOOD HOW CONFUSION COULD HAVE DEVELOPED IN THE US SINCE THE DC-6 PREVIOUSLY USED BY AESA WAS NOT OWNED BY THE FAS AND HAD ENTERED MIAMI WITH NEW MARKINGS. HE SAID THE FAS AND AESA WERE NOW COMPLETELY SEPARATED. A TEMPORARY CERTIFICATE WAS ISSUED AUGUST 17 TO AESA'S NEWLY LEASED DC-6 (YS-03-C) WHICH BEARS US IDENTIFICATION N 90894. HE SAID HE HAD NO INFORMATION WHICH WOULD INDICATE AESA HAD VIOLATED ITS US PERMIT NOR THAT IT HAD PERMITTED IT TO LAPSE IN USE. HE SUGGESTED THAT THE EMBOFF DISCUSS THE STATUS OF INDEBTEDNESS AND CURRENT OPERATIONS WITH AESA'S MANAGER EDUARDO CORNEJO LOPEZ.

3. EMBOFF VISITED AESA OFFICE AT ILOPANGO AIRPORT, FOUND A WORKING STAFF, AND CONCLUDED A THOROUGH DISCUSSION OF AESA WITH MANAGER CORNEJO. CORNEJO DISCUSSED FRANKLY AESA'S PROBLEMS AND PRODUCED DOCUMENTS TO SUBSTANTIATE HIS STATEMENTS. THE DISCUSSION COVERED THE AIRLINES' HISTORY, LEGAL AND FINANCIAL STATUS, OPERATIONS AND FUTURE, AS FOLLOWS:

A. HISTORY: AS A RESULT OF THE 1969 CONFLICT WITH HONDURAS THE GOES INTERVENED AESA, A SALVADORAN REGISTERED CARGO AIRLINE OWNED 45 PERCENT BY LANICA (I.E. SOMOZA) AND THE BALANCE BY VARIOUS SALVADORANS, THE PRINCIPAL SHAREHOLDER BEING COTTON/SHRIMP BUSINESSMAN JUAN WRIGHT. CONFLICTING STORIES ARE PRESENTED FOR THE INTERVENTION MOTIVE, ONE BEING THAT POST-CONFLICT EMERGENCY AIR CARGO SERVICE TO THE PRIVATE SECTOR RESULTED IN LARGE ACCOUNTS RECEIVABLES WHICH WERE NOT PAID AND THE GOVT/FAS DECIDED IT WAS EASIER TO INTERVENE THAN TO EFFECT DEBT PAYMENTS. SR. CORNEJO CONTINUED AS AIR-LINES MANAGER, DIRECTED BY A GOES PRESIDENTIALLY APPOINTED COMMISSION WITH REPRESENTATIVES FROM MINISTRIES OF PUBLIC WORKS, DEFENSE, FINANCE AND ECONOMY. A DOUGLAS DC-6 AB (FAA NO. N122M, SERIAL NO. 45078) WAS PURCHASED BY AESA OCTOBER 23, 1969 FROM BELLOMY-LAWSON AVIATION, INC. OF FLORIDA WITH \$90,000

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BORROWED FROM THE FAS, AND IT WAS FULLY PAID (DOCUMENTS SEEN BY EMBOFF) IN MARCH 1971. THE PLANE WAS ALWAYS THEREAFTER MANNED BY FAS CREWS AND SERVED PRINCIPALLY THE MILITARY COOPERATIVE. THE DC-6'S LAST FLIGHT TO MIAMI UNDER AESA AUTHORITY AND OWNERSHIP WAS SEPT 24, 1972. LATER THAT YEAR IT WAS "TAKEN" BY THE FAS. THIS PLANE WAS THEN REPAINTED WITH FAS MARKINGS AND BECAME IDENTIFIED AS FAS 3;1 AND OPERATED SOLELY BY THE FAS. IT WAS FLOWN TO MIAMI UNDER ITS NEW

IDENTITY AND WE UNDERSTAND AESA CREDITORS ATTEMPTED A LEGAL SEIZURE OF THE PLANE TO SATISFY AESA DEBTS. SINCE SEPTEMBER 1972 AESA HAS CONTINUED TO SERVE ITS COMMERCIAL CUSTOMERS BY CHARTERING TACA VLANS OR SPACE AND IN THAT SENSE MAINTAINED USE OF ITS CAB AUTHORITY UP TO THE PRESENT. ABOUT MID-AUGUST 1973 IT TOOK DELIVERY OF A LEASE/PURCHASE BASIS OF ANOTHER DC-6 FROM BELLOMY-LAWSON (VIA HEMISPHERE AIRCRAFT LEASING CO. OF MIAMI SPRINGS, FLORIDA) AND IT IS TEMPORARILY LICENSED BY THE DAC WITH IDENTITY YS-03-C. ITS CREW IS US, PROVIDED BY BELLOMY-LAWSON, AN
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INR-10 NSAE-00 RSC-01 FAA-00 L-03 OMB-01 TRSE-00

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C O N F I D E N T I A L SECTION 2 OF 2 SAN SALVADOR 3227

E.O. 11652 N/A

E. FUTURE: DR. CASTELLANOS SAID THE GOES WANTS TO GET OUT OF THE AIRLINE BUSINESS, HOPEFULLY BY END-1973. IT WOULD LIKE TO SEE ESTABLISHED A VIABLE NATIONAL CARGO AIRLINE WITH ACCESS TO CENTRAL AMERICAN MARKETS AND WITH AT LEAST 80 PERCENT PRIVATE SALVADORAN OWNERSHIP. THIS IMPLIES LANICA AGREEMENT TO REDUCE ITS PARTICIPATION TO SOME 20 PERCENT, AN ACTION CASTELLANOS SAYS THE CAB DESIRES. HE ALSO SAYS THE US PERMIT COMES UP FOR RENEWAL AROUND FEBRUARY 1974 AND IT IS HOPED THE AIRLINE WILL BE ON A GOOD PRIVATE FOOTING BY THE TIME. NO INVOLVEMENT BY ANY PART OF THE GOES IS PLANNED FOR AESA'S FUTURE.

3. COMMENT: IT APPEARS THAT FINANCIAL AND POLICY PRESSURES HAVE PUSHED THE GOES FINALLY TO CLEAN UP THIS VERY UNIQUE AIRLINE. FAS SOURCES EXPRESS PLEASURE OVER THE DIVORCE WITH

AESA. THE FACT THAT THE BCR IS HEAVILY INVOLVED IN SETTling
ACCOUNTS AND CORRECTING DEFICIENCIES INDICATES SERIOUS GOES
INTENTIONS TO CLEAR UP THE AESA PROBLEM. AESA RECORDS EVIDENCE
CONTINUOUS USE OF THE CAB AUTHORITY AND THE STATEMENTS BY
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CORNEJO AND CASTELLANOS (ALTHOUGH OF COURSE UNCONFIRMED BY US
WITH THE CREDITORS) INDICATE AESA IS PAYING ITS US DEBTS.
THE PLAN TO RESTORE THE AIRLINE TO PRIVATE OPERATION AND THE
BCR APPROVAL OF THE RECENT DC-6 LEASE INDICATE THAT THERE
WILL CONTINUE TO BE AN AESA. ALTHOUGH WE MAY LACK PERTINENT
INFORMATION AVAILABLE TO THE CAB, BASED ON THE FOREGOING
WE RECOMMEND THAT NO ADVERSE ACTION BE TAKEN AGAINST AESA'S
CAB PERMIT AT THIS TIME.
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